

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-168-C - ORDER NO. 92-701 ✓
AUGUST 26, 1992

IN RE: Application of Norstan Network Services,) ORDER
Inc. for a Certificate of Public) GRANTING
Convenience and Necessity to Operate as) CERTIFICATE
a Reseller of Telecommunications Services)
in South Carolina.)

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of Norstan Network Services, Inc. (Norstan or NNSI) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. Norstan's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1991) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed Norstan to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas one time. The purpose of the Notice of Filing was to inform interested parties of Norstan's Application and the manner and time in which to file the appropriate pleadings for participation in the proceeding. Norstan complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. Petitions to

Intervene were filed by Southern Bell Telephone & Telegraph Company (Southern Bell) and the South Carolina Department of Consumer Affairs (the Consumer Advocate).

A hearing was commenced on Tuesday, July 28, 1992, at 11:00 a.m. in the Commission's Hearing Room. The Honorable Rudolph Mitchell, Vice-Chairman, presided. Frank R. Ellerbe, III, Esquire, represented Norstan. Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; Caroline N. Watson, Esquire, represented Southern Bell; and Gayle B. Nichols, Staff Counsel, represented the Commission Staff.

At the beginning of the hearing, Southern Bell announced that it had entered into a stipulation with Norstan. Hearing Exhibit 1. The terms of this Stipulation are as follows:

- (1) Any grant of authority should clearly be for interLATA services only.
- (2) If any intraLATA calls are inadvertently completed by the carrier, the carrier should reimburse the LEC pursuant to the Commission's Order in PSC Docket No. 86-187-C. It is understood that compensation may be paid by the underlying carrier of NNSI on behalf of NNSI.
- (3) All operator services should be only for interLATA calls and any "0+" or "0-" intraLATA calls should be handed off to the LEC.
- (4) Nothing in 1, 2, or 3 above shall prohibit NNSI from offering any services authorized for resale by tariffs of facility based carriers approved by the Commission.

After introducing the Stipulation into evidence as Hearing Exhibit 1, Southern Bell withdrew from further participation in the proceeding.

Norstan presented the testimony of Paavo Pyykkonen in support of its Application. Mr. Pyykkonen explained Norstan's request for certification to operate as a reseller of interexchange telecommunications services in South Carolina. Mr. Pyykkonen explained that Norstan wishes to resell the toll services of U.S. Sprint, that Norstan does not propose to provide intraLATA service, and that Norstan proposes to provide 800 services, private line services, VPN direct dial services, FONCARD services, directory assistance, and Sprint operator services. Mr. Pyykkonen stated Norstan will be responsible for billing, trouble reporting, and customer services. Mr. Pyykkonen outlined Norstan's financial qualifications, background, and technical capabilities. According to its Application, Norstan will comply with all rules and regulations that the Commission may lawfully impose.

After full consideration of the applicable law and of the evidence presented by Norstan, the Consumer Advocate, Southern Bell and the Commission Staff, the Commission hereby issues its findings of fact and conclusions of law.

FINDINGS OF FACT

1. Norstan is incorporated under the laws of the State of Minnesota, and is licensed to do business as a foreign corporation in South Carolina by the Secretary of State.
2. Norstan operates as a non-facilities based reseller of interexchange services, and wishes to do so on an interLATA basis in South Carolina.
3. Norstan has the experience, capability, and financial

resources to provide the services as described in its Application.

4. Southern Bell and other local exchange carriers (LEC's) should be compensated for any unauthorized intraLATA calls completed through Norstan's service arrangements.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a certificate of public convenience and necessity should be granted to Norstan to provide intrastate, interLATA service through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Services, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. All intrastate intraLATA calls must be completed over intraLATA WATS, MTS, private and foreign exchange lines or any other service of facility based carriers approved for resale on an intraLATA basis. Any intraLATA calls not completed in this manner would be considered unauthorized traffic and the Company will be required to compensate LEC's for any unauthorized intraLATA calls it carries pursuant to Commission Order No. 86-793 in Docket No. 86-187-C.

3. The Commission adopts a rate design for Norstan for its resale services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate level with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application

of GTE Sprint Communication Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984). The Commission adopts Norstan's proposed maximum rate tariffs.

4. Norstan shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. Norstan shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of Norstan's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1990).

5. Norstan shall file its tariff and an accompanying price list to reflect the Commission's findings within thirty (30) days of the date of this Order.

6. Norstan is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

7. With regard to Norstan's resale of services, an end user should be able to access another interexchange carrier or operator service provider if they so desire.

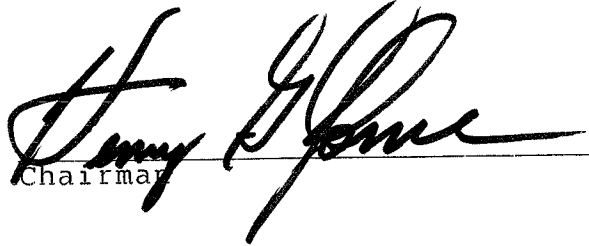
8. Norstan shall resell the services of only those interexchange carriers or LEC's authorized to do business in South Carolina by this Commission. If Norstan changes underlying

carriers, it shall notify the Commission in writing.

9. Norstan shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

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ATTACHMENT A

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

(1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12 MONTHS
ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF
CONSTRUCTION AND CUSTOMER DEPOSITS.

(4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING
_____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

(5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE
AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL
AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3
ABOVE).